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Required Report - public distribution

Date: 11/15/2012

GAIN Report Number: VN2056

Vietnam

Coffee Semi-annual

November 2012 - Coffee Semi-annual

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Report Highlights:

Post revises its forecast for Vietnam's coffee production for marketing year (MY) 2012/13 to 24.2 million 60 kg-bags (bags) or 1.45 million metric tons (MMT) of green coffee beans, about a 9 percent drop from the previous year due to above average pre-seasonal rains during the coffee flower blossoming period which has negatively impacted cherry development. Post forecasts MY 2012/13 exports of all coffee products at 21.7 million bags (1.3 MMT) green coffee bean equivalent (GBE).

Post also revises coffee production in MY 2011/12 upwards to 26 million bags, or 1.56 MMT, as favorable weather and improved investment in inputs led to extremely high yield. Production in MY 2011/12 represents a 30 percent increase over the previous MY. Accordingly, total exports of all forms of coffee are also revised upwards to 24.4 million bags or 1.46 MMT GBE in MY 2011/12.

Executive Summary:

Despite, favorable weather during the 2012 coffee harvest in major coffee growing areas in Vietnam, Post forecasts MY2012/13 coffee production in Vietnam to decrease 9 percent from the previous MY due to poor weather during the blossoming period. Even with this reduction, Post forecasts production at 24.2 million bags (1.45 MMT). MY 2012/13 total exports of all types of coffee are forecast at 21.7 million bags or 1.3 MMT GBE, down from the previous MY but still the second highest on record. Global demand remains high creating a strong incentive for Vietnamese traders to export.

The Government of Vietnam (GOV) continues to encourage coffee growers to participate in sustainable production certification programs. Certified sustainable coffee production has been increasing among farmers and traders as the industry seeks to reap the benefit from the premium for certified sustainable crops. Exports of processed coffee products (ground and roasted coffee and instant coffee) continue to grow as well, signaling that the industry continues to move up the value chain.

Domestic consumption of all types of coffee products has been significantly increasing as Vietnam's café culture continues to expand. Post estimates local consumption at about 1.83 million bags or 110,000 MT GBE in MY 2012/13, a 10 percent increase over the previous MY.

In this report, Post also revises upwards the MY 2011/12 production to 26 million bags (1.56 MMT) due to favorable weather, better production practices, improved investment in inputs, and additional output from newly productive areas. Record production and high international prices gave way to record exports in MY 2011/12 at 24.4 million bags (1.46 MMT). The total value of all types of coffee exports also hit a record \$3.4 billion in MY 2011/12. During MY 2011/12, Germany overtook the United States as Vietnam's number one export market. However, the European Union share of total Vietnamese coffee exports dropped to 44 percent in MY 2011/12, from 51 percent in MY 2010/11.

Post also revises MY 2011/12 ending stocks to 984,000 bags (59,000 MT) as producers and traders report more stocks at the start of the new MY in the face of the previous year's larger crop.

Commodities:

Coffee, Green

Photo 1: Map of Coffee Producing Areas in Vietnam

The map displays the geographical distribution of coffee production in Vietnam, categorized by coffee type and export infrastructure. The legend indicates that green areas represent Robusta coffee production, while yellow areas represent Arabica coffee production. Blue icons along the coastlines denote coffee exporting harbours. The map also shows the country's borders with China to the north, Laos to the west, and Cambodia to the south, as well as the East Sea to the east. Major cities and provinces are labeled throughout the country.

BẢNG GHI CHÚ ĐỘ CAO
NOTES OF HEIGHT

| | |
|-----------|----------------|
| SƠN LA | : 600 - 700 m |
| YÊN BÁI | : 40 - 200 m |
| QUẢNG TRỊ | : 300 - 400 m |
| NGHỆ AN | : 70 - 100 m |
| HÀ GIANG | : 100 - 200 m |
| LAI CHÂU | : 500 - 600 m |
| ĐAKLAK | : 500 m |
| LÂM ĐỒNG | : 800 - 1500 m |
| KHÁNH HÒA | : 300 - 500 m |
| GIÃ LẠI | : 600 - 800 m |
| ĐỒNG NAI | : 50 m |

CAFECONTROL THỰC HIỆN
CARRIED OUT BY CAFECONTROL

Production:

Post revises its forecast for MY 2012/13 coffee production to 24.2 million bags or 1.45 MMT. This is about a 9 percent decline from MY 2011/12 production due to pre-seasonal rains in all four main coffee growing provinces, Dak Lak, Lam Dong, Dak Nong, and Gia Lai. These provinces represent over 89 percent of coffee cultivated area in Vietnam. According to coffee growers and local traders, this unseasonal rain caused immature coffee flowerings, early flower blooming, and pollination failure in some areas. Moreover, early rains during flower blooming and pollination failure prevented cherry development. In some areas, coffee flowers were reported damaged from harvesting activities.

Vietnam's production potential continues to be negatively affected by aging coffee trees which now cover an estimated 25 percent of total production area and are estimated to reduce production by up to 15 percent annually. It should be noted that growers continue to replace older trees with new ones and the impact of this reduction will likely decrease in future years. During the 2012 crop year, the productivity decline due to "spent" trees is offset, by an increase in production due to improved inputs, better irrigation, more precise fertilizer application practices, and additional output from newly productive or replanted coffee area. Farmers also report favorable weather is supporting the coffee harvest which began in October and will continue through December.

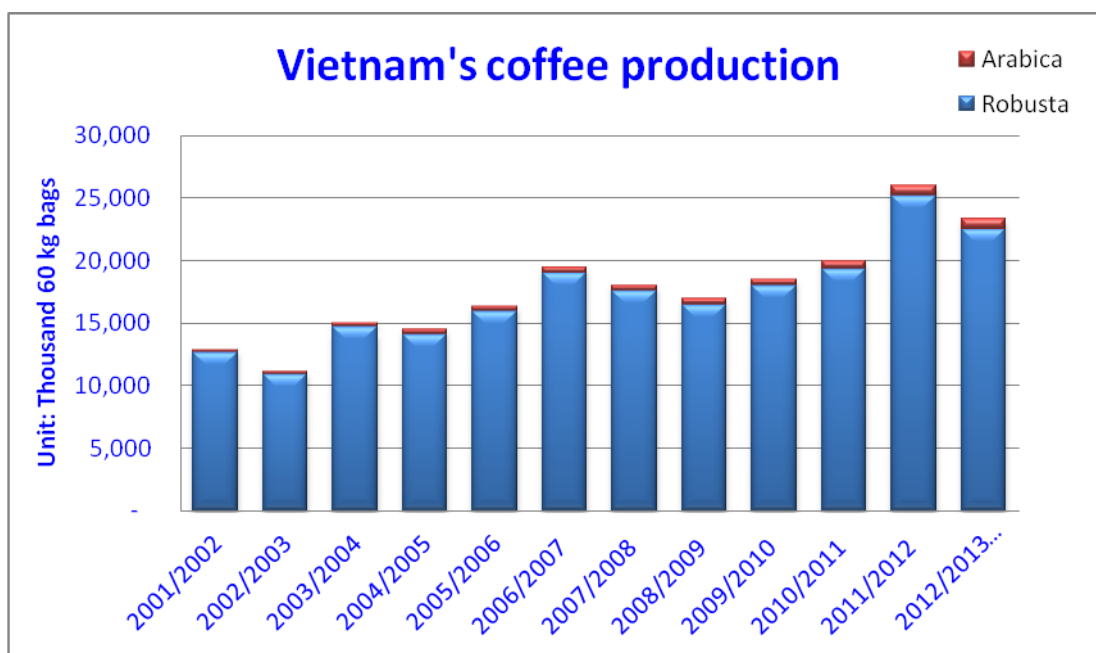
However, in summary, coffee growers forecast that production in the above regions is estimated to decrease by 9 percent from last year. Despite reduced production, Post forecasts that coffee cultivated area continues to expand in Vietnam. According to the Ministry of Agriculture and Rural Development (MARD), coffee area increased by about 8 percent to 615,000 ha from 571,000 ha in 2011. Dak Nong Province registered a 49 percent expansion in area from MY 2011/12 - MY2012/13 and now has 116,000 ha under coffee. Arabica coffee cultivation accounts for about 7 percent of total area (estimated 40,000 ha).

Arabica coffee production is forecast to increase in MY2012/13 to a record 850,000 bags (51,000 MT) as area under Arabica in North Vietnam continues to expand. However, according to some local coffee experts, Arabica production in Vietnam will be negatively affected due to climate change in the future. Post does not expect Arabica production to remain minimal and not surpass 5 percent of total production in the next three years.

Post also revises its estimates of coffee production for MY 2011/12 upwards to a record 26 million bags (1.56 MMT). This is about a 30 percent increase over the previous marketing year and is attributed to extremely high yields, thanks to favorable weather in major growing areas, improved investment in production inputs, and additional output from new and replanted production areas.

In MY 2011/12, Post's estimate for Arabica production is unchanged at about 800,000 bags, or about 48,000 MT, accounting for only 3 percent of the total production in Vietnam (see Graph 1; Table 9).

Graph 1: Vietnam's Coffee Production



Source: USDA, Post Estimates

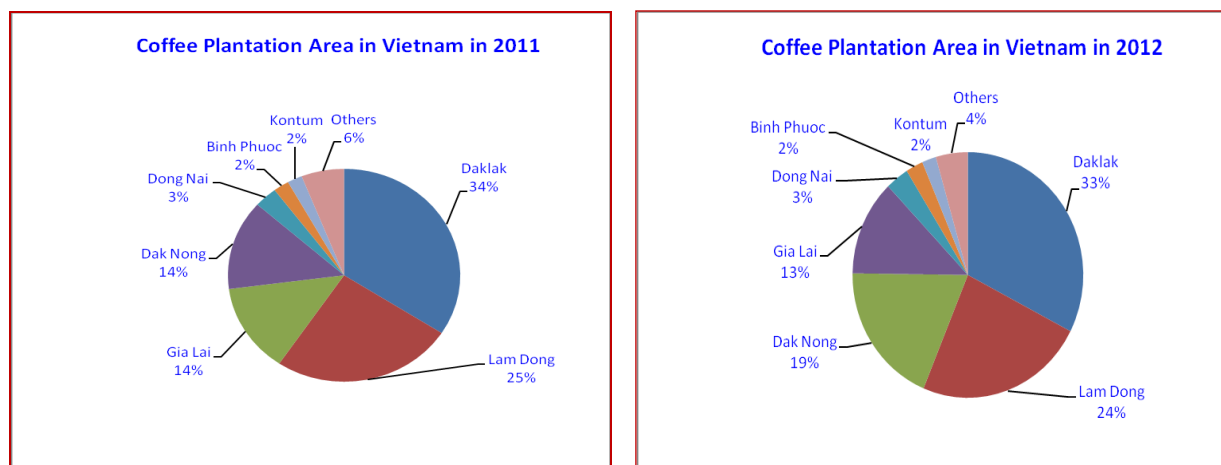
Table 1: Coffee Production by Marketing Year (Oct.-Sept.)

| | 2010/11 | | 2011/12 Estimate | | 2012/13 Forecast | |
|--|---------|---------|---------------------|---------|---------------------|---------|
| Marketing Year Begins | 10/2010 | 10/2010 | 10/2011 | 10/2011 | 10/2012 | 10/2012 |
| | Old | New | Old | New | Old | New |
| Production (green bean, thousand tons) | 1,168 | 1,200 | 1,260 | 1,560 | 1,350 | 1,450 |
| Average Coffee Yield (tons/ha) | 2.12 | 2.18 | 2.21 | 2.44 | 2.25 | 2.25 |

Source: Post Estimates

Recently, MARD approved the master plan for Vietnam's coffee sector development to the year 2020 with a vision to 2030, setting the target for coffee growing area at 500,000 ha by 2020 and down to 479,000 ha by 2030 (See Policy Section and Table 8 for more details). GOV continues to encourage farmers to expand Arabica coffee areas where appropriate, and to replace aging and low yield coffee trees. It is clear that current world prices have given coffee growers incentive to invest more in their fields; by improving inputs, replacing old tree areas, and planting new areas.

Graph 2: Vietnam's Coffee Plantation Provinces



Source: Vietnam Ministry of Agriculture and Rural Development (MARD)

Graph 3: Vietnam's Coffee Growing Area and Production (Calendar Year)



Source: General Statistics Office (GSO), MARD, Post Estimates

Aside from high international prices, international demand for 3rd party certified sustainable coffee has positively impacted the cultivated area in Vietnam. In recent years, a growing number of Vietnamese farmers have adopted sustainable agricultural practices with the goal of obtaining a 3rd party sustainable production certification, which allows Vietnamese farmers to export to the European Union and other developed country markets at premium prices. Popular certification programs include UTZ Certified,

4C Association, and Rainforest Alliance. Post believes that certified coffee production will continue to increase in the next few years as more and more farmers seek to reap the benefits of the premium for certified-sustainable coffee. The Public-Private Partnership (PPP) model, promoted by MARD and many within the Vietnamese government is one of the key ways of integrating coffee producers with international development organizations and certifying groups.

Consumption:

Coffee has proven to be one of main agricultural export engines of the Vietnamese economy and the bulk of Vietnam's coffee production is for exports. Only about 6 percent of total production is for domestic consumption. Domestic consumption of all types of coffee products, including instant coffee and roast and ground coffee, has grown significantly in recent years as Vietnam's café culture continues to expand. Stylish coffee chains continue to gain popularity in both urban and rural areas. Vietnam's annual average population growth rate of about 1 percent per year (equal to about one million people) also contributes to the increase in domestic coffee consumption. Besides that, effective marketing strategies from local coffee companies, such as Trung Nguyen, Vinacafe Bien Hoa, Nescafe Vietnam etc., also contributes to the increase in domestic consumption.

Market research and surveys from the local coffee industry and consulting companies state that two thirds of Vietnam coffee consumption is roast and ground coffee products and one third is instant coffee products. Some market surveys state that instant coffee consumption in Vietnam will grow about 10.5 percent during the period of 2008-2013. According to the local coffee industry, the biggest instant coffee brands in Vietnam are G7 of Trung Nguyen Coffee Corporation (about 38 percent market share), Vinacafe of Vinacafe Bien Hoa (about 31 percent market share), and Nescafe of Nestle Vietnam (about 27 percent market share) for 3 in 1 instant coffee. Vietnam's instant coffee market is expected to continue to grow steadily in coming years due to rising demand among adolescent and young adult consumers, who seek convenient and timesaving methods for consuming hot drinks with their modern and busy lifestyle. Besides that, instant coffee manufacturers in the country have added different types of coffee to meet changing consumer's preferences such as 2-in-1, 3-in-1, and 4-in-1 coffee products (coffee with ingredients such as sugar/milk/cream). According to Trung Nguyen Company, local consumption of all processed coffee products would increase by 22-25 percent this year. Mr. Dang Le Nguyen Vu, Chairman of Trung Nguyen Group, hopes to lift Vietnamese coffee consumption from 1 kg per head per year to 5 kg.

The famous roast and ground coffee brands in Vietnam are Vinacafe, Highlands, Trung Nguyen, Gloria Jeans, and The Coffee Bean. All of these brands have retail cafes in Vietnam, promoting the modern coffee-house culture; in addition to strong retail distribution networks through supermarkets. Also, international fast food chains and local convenient, unaffiliated coffee shops (coffee to go) have boosted sales of roast and ground coffee in cities.

Based on discussions with coffee retailers and Vietnamese analysts, Post projects MY2012/13 domestic consumption to grow approximately 10 percent to 1.83 million bags or 110,000 MT GBE. Post maintains the estimate for domestic consumption in MY 2011/12 at 1.67 million bags, or 100,000 MT GBE. However, Post notes that no official statistics exist for Vietnam's domestic coffee consumption.

Trade:

Exports:

Assuming international prices remain high due to robust global demand, MY2012/13 green bean exports are forecast at 21.7 million bags or 1.3 MMT GBE, down from the previous MY but still the second highest on record. Vietnamese robusta remains an important blending coffee for many of the world's major coffee roasters. Post forecasts Vietnam exports of processed coffee products at 505,000 bags, or about 30,000 MT GBE, an increase of almost 11 percent over the previous MY.

According to trade data from MARD, Vietnam exported 23.9 million bags or 1.47 MMT of green coffee beans in MY 2011/12. This is a 27 percent increase over the previous marketing year (see Table 2) as high global demand and record exportable supplies due to the record MY2011/12 crop led to a record export year.

Table 2: Vietnam's Green Coffee Bean Exports, MY 2009/10 – MY 2011/12

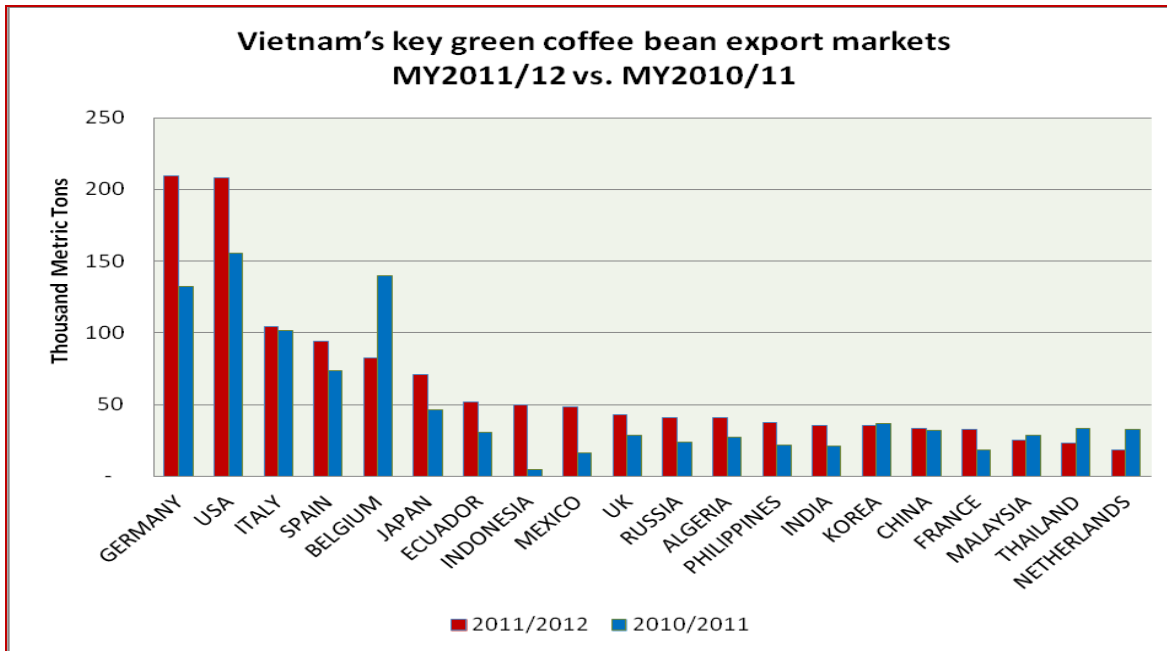
| Month | 2009/10 (Begin: Oct. 2009) | 2010/11 (Begin: Oct. 2010) | 2011/12 (Begin: Oct. 2011) | % Change MY 2011/12 over MY2010/11 |
|--------|----------------------------------|----------------------------------|----------------------------------|--|
| Volume | (TMT) | (TMT) | (TMT) | |
| Oct. | 52 | 67 | 58 | -13% |
| Nov. | 70 | 77 | 74 | -4% |
| Dec. | 114 | 93 | 119 | 28% |

| | | | | |
|-------------|-----|-------|-------|------|
| Jan. | 112 | 129 | 116 | -10% |
| Feb. | 64 | 84 | 165 | 96% |
| Mar. | 104 | 137 | 159 | 16% |
| April | 102 | 145 | 137 | -6% |
| May | 78 | 104 | 164 | 58% |
| June | 79 | 81 | 127 | 57% |
| July | 81 | 78 | 118 | 51% |
| Aug. | 69 | 81 | 108 | 33% |
| Sept. | 65 | 53 | 91 | 72% |
| Grand Total | 990 | 1,129 | 1,436 | 27% |

Source: Vicofa, General Customs Office, MARD, ICO

During MY2011/12, Vietnam exported green coffee beans to about 80 countries worldwide. The top ten markets accounted for about 67 percent of total Vietnamese coffee bean exports. During MY2011/12, Germany overtook the United States as Vietnam's number one export market. However, the European Union's total share of Vietnamese exports dropped from 51 percent in MY2010/11 to 44 percent in MY2011/12. Vietnam's coffee bean exports to Spain, Japan, Indonesia, Ecuador, Mexico, and United Kingdom grew significantly in MY2011/12 compared with the previous marketing year (see Graph 4 and Table 10).

Graph 4: Vietnam's Key Green Coffee Bean Export Markets, MY2010/11-MY2011/12



Source: MARD

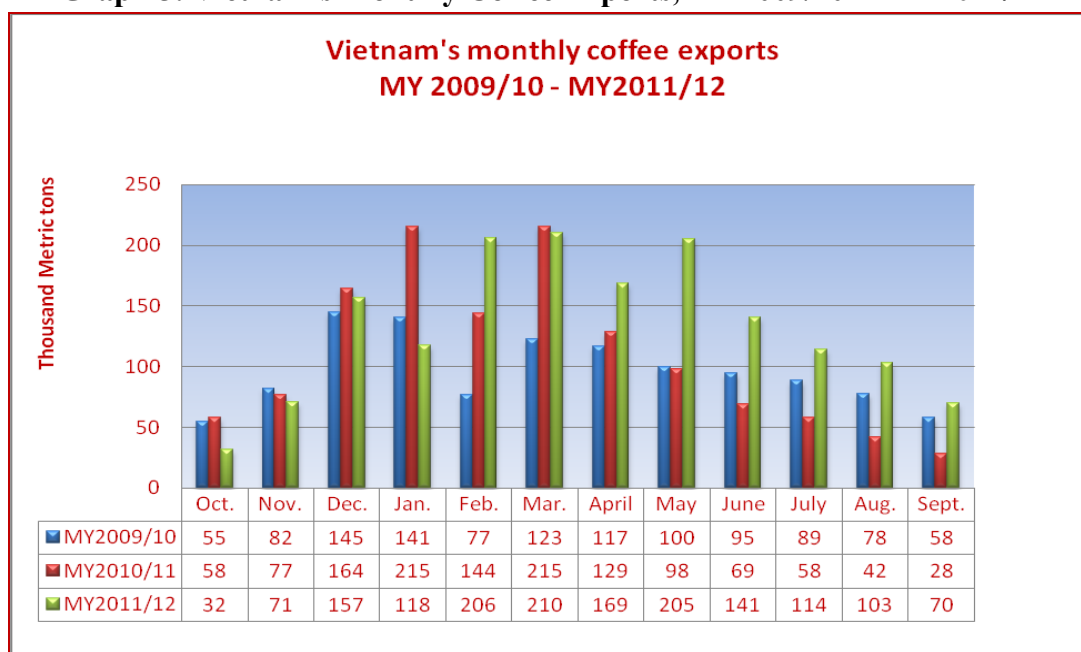
According to official data from Vietnam's General Customs Office, in MY 2011/12, Vietnam exported about 1.6 MMT of all types of coffee products, including green bean coffee, roast and ground coffee, and instant coffee, valued at a record \$3.4 billion. This is an increase of 23 percent in volume and 24 percent in value over MY 2010/11 (see Table 3, Graph 5). After talking with local coffee contacts and using GTA data, Post determines that Vietnam exported 455,000 bags GBE, or about 27,000 MT GBE of processed coffee products in MY2011/12.

Table 3: Vietnam's Coffee Product Exports (all forms of coffee), MY 2009/10 - 2011/12

| Month | 2009/10 (Begin: Oct. 2009) | | 2010/11 (Begin: Oct. 2010) | | 2011/12 (Begin: Oct. 2011) | | % Change MY 2011/12 over MY 2010/11 | |
|----------------|-------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|--------------------------|---|-------|
| | Volume (TMT) | Value (\$ million) | Volume (TMT) | Value (\$ million) | Volume (TMT) | Value (\$ million) | Volume | Value |
| Oct. | 55 | 79 | 58 | 98 | 32 | 73 | -45% | -26% |
| Nov. | 82 | 115 | 77 | 134 | 71 | 149 | -8% | 11% |
| Dec. | 145 | 202 | 164 | 292 | 157 | 325 | -4% | 11% |
| Jan. | 141 | 198 | 215 | 414 | 118 | 241 | -45% | -42% |
| Feb. | 77 | 110 | 144 | 303 | 206 | 428 | 43% | 41% |
| Mar. | 123 | 168 | 215 | 487 | 210 | 440 | -2% | -10% |
| April | 117 | 159 | 129 | 308 | 169 | 356 | 31% | 16% |
| May | 100 | 141 | 98 | 238 | 205 | 433 | 109% | 82% |
| June | 95 | 137 | 69 | 162 | 141 | 304 | 104% | 88% |
| July | 89 | 138 | 58 | 135 | 114 | 252 | 97% | 87% |
| Aug. | 78 | 123 | 42 | 95 | 103 | 229 | 145% | 141% |
| Sep. | 58 | 93 | 28 | 64 | 70 | 158 | 150% | 147% |
| Grand Total | 1,160 | 1,663 | 1,297 | 2,730 | 1,596 | 3,388 | 23% | 24% |

Source: GSO, MARD, General Customs Office

Graph 5: Vietnam's Monthly Coffee Exports, MY2009/10 – MY 2011/12



Source: GSO, MARD, General Customs Office

Vietnam's roasted and instant coffee exports have been increasing in recent years. In MY2010/11, Vietnam's export of roasted and instant coffee products to U.S. increased by 90 percent in volume (to about 4,600 MT) and 110 percent in value (to about \$16 million) over the previous year. In the first eight months of MY2011/12, U.S. imported about 4,400 MT of roasted and instant coffee products from Vietnam, valued at about \$15 million.

Table 4: U.S. all types coffee product imports from Vietnam

| Product | MY 2009/10 | | MY 2010/11 | | MY 2011/12 | |
|--|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | Value ('000 \$) | Qty (MT) | Value ('000 \$) | Qty (MT) | Value ('000 \$) | Qty (MT) |
| Coffee, Not Roasted (HS code 090111) | 319,937 | 211,377 | 443,934 | 194,736 | 536,293 | 230,033 |
| Coffee, Not roasted Def (HS code 090112) | 7,070 | 3,940 | 25,525 | 8,454 | 31,275 | 9,098 |
| Coffee, Roasted (HS code-090121) | 2,033 | 644 | 3,338 | 894 | 4,187 | 1,274 |
| Coffee, Roasted, Def (HS code 090122) | 1,130 | 394 | 5,387 | 1,694 | 4,610 | 1,566 |
| Coffee Husks and skins (HS code 090190) | 7 | 1.7 | 11 | 2.2 | 17 | 3.7 |
| Coffee Extracts, Instant coffee (HS code 210111) | 899 | 218 | 1,850 | 345 | 2,325 | 356 |
| Coffee Extracts and Preparations (HS code 210112) | 3,338 | 1,140 | 4,949 | 1,634 | 3,767 | 1,207 |

Source: Department of Commerce, U.S. Census Bureau, Foreign Trade Statistics

Imports:

Vietnam continues to import small quantities of green coffee, as well as roasted and instant coffees from neighboring countries. Post forecasts MY 2012/13 imports at 227,000 bags, down 12 percent from the previous year.

According to trade data from Global Trade Atlas (GTA), total green bean coffee imports for MY 2011/12 were about 122,000 bags, or 7,300 MT GBE, a 32 percent decrease from the previous marketing year, mainly from Thailand, Laos, Cote d'Ivoire, Uganda, Brazil and Indonesia (See table 11). Vietnam's roasted and instant coffee imports decreased significantly in the MY 2011/2012 from about \$2 million in the previous marketing year to \$0.1 million for roasted coffee and from 4 TMT to 2.4 TMT of instant coffee and coffee extract products due to increasing domestic consumption of locally produced roast and ground, and instant coffee products.

PRICES

Export prices:

International prices continue to provide a strong incentive for farmers to expand coffee cultivation in Vietnam. The average export price of Vietnam's robusta coffee in MY 2011/12 was \$1,984/MT (FOB Ho Chi Minh City), which is a 7 percent drop from the previous marketing year (\$2,134/MT), but still 45 percent higher than MY2009/10 (see Table 5, Graph 6). The increase in price can be attributed to growing global demand. However, this price is still much lower than the record price of \$2,658 in MY 1994/95 (See Graph 7).

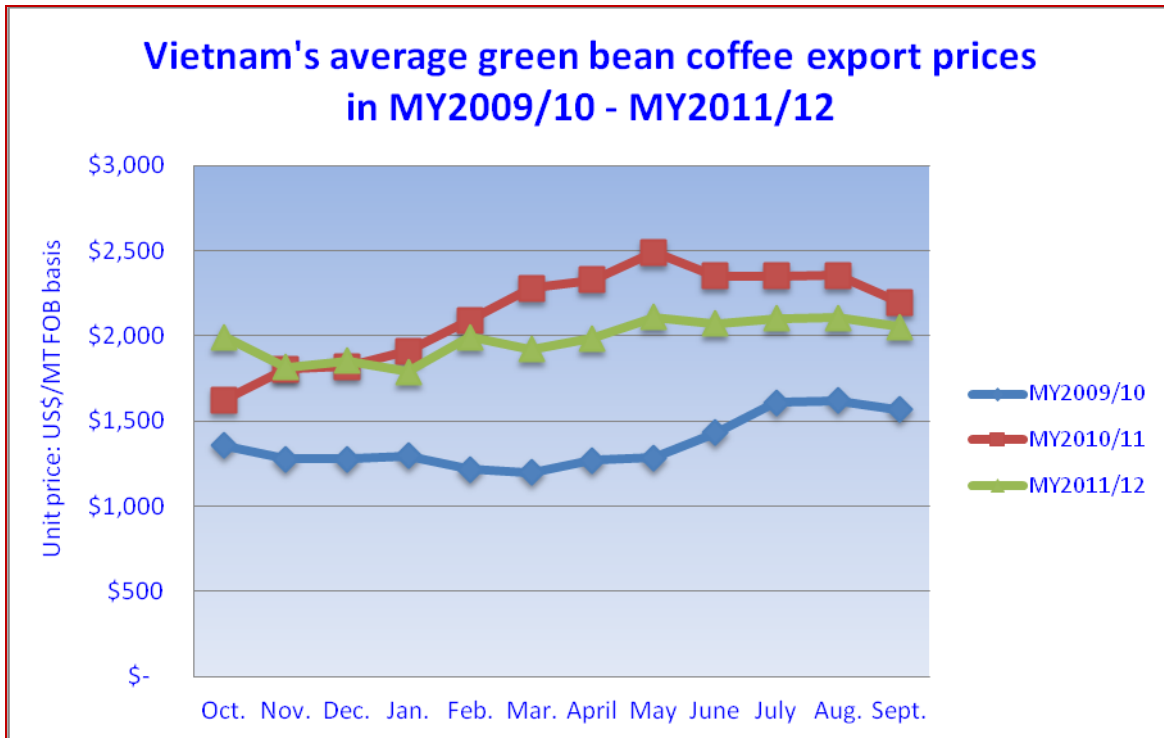
The average export price in October 2012 was quoted at \$2,103, a 6 percent increase compared with the same month in 2011. However, the current (November 2012) ungraded robusta green coffee bean price dropped to \$1,910/MT (FOB Ho Chi Minh City) due to the drop in international coffee prices attributed to increased supply as Vietnam started the new harvest season.

Table 5: Average Export Prices for Vietnamese Green Coffee, MY 2009/10-MY 2011/12

| FOB HCMCity price for common ungraded coffee beans (US\$/MT) | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | Jun. | Jul. | Aug. | Sept. | Average export price for MY (Oct.-Sept.) |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|--|
| MY2009/10 | \$1,357 | \$1,278 | \$1,277 | \$1,297 | \$1,218 | \$1,198 | \$1,271 | \$1,286 | \$1,431 | \$1,610 | \$1,622 | \$1,566 | \$1,368 |
| MY2010/11 | \$1,625 | \$1,806 | \$1,821 | \$1,910 | \$2,093 | \$2,281 | \$2,328 | \$2,492 | \$2,350 | \$2,351 | \$2,357 | \$2,197 | \$2,134 |
| MY 2011/12 | \$1,993 | \$1,818 | \$1,853 | \$1,790 | \$1,923 | \$1,992 | \$1,988 | \$2,111 | \$2,073 | \$2,103 | \$2,106 | \$2,053 | \$1,984 |
| % change MY2011/12 over MY2010/11 | 23% | 1.0% | 1.8% | -6% | -8% | -13% | -15% | -15% | -12% | -11% | -11% | -7% | -7% |

Source: Dak Lak Trade, Investment & Tourism Promotion Center (Daktip); Vicofa, BCEC and Local Exporters

Graph 6: Average Export Prices for Vietnamese Green Coffee, MY2009/10 – MY 2011/12



Source: Daktip, Vicofa, BCEC, and Local Exporters

Graph 7: Average Export Prices for Vietnamese Green Coffee, MY1990/91 – MY 2011/12



Source: Daktip, Vicofa, BCEC, and Local Exporters

Domestic prices:

Vietnam's average domestic coffee price for robusta common ungraded coffee beans in MY 2011/12 moved in-line with the local export price in the country. Vietnam's average domestic coffee price for robusta common ungraded coffee beans in MY 2011/12 in Dak Lak province, the largest coffee growing area in Vietnam, was VND 40,463/kg (\$1.94), a slight drop from the previous marketing year, but still significantly higher than MY2009/10 (see Table 6, Table 7).

In November 2012, the farm-gate price for common ungraded Robusta coffee beans in Dak Lak province was VND 39,000 (\$1.87), almost equal to the price the same time last year, VND38,214. Similar to the previous harvest, coffee growers will likely harvest and sell their crops quickly in MY2012/13 to take advantage of favorable prices.

Table 6: MY 11/12 Average Price for Robusta Beans in Major Coffee Growing Provinces

| Comm on coffee beans (VND/ kg) | Oct. 2011 | Nov. 2011 | Dec. 2011 | Jan. 2012 | Feb. 2012 | Mar. 2012 | Apr. 2012 | May 2012 | June 2012 | July 2012 | Aug. 2012 | Sept. 2012 | Avera ge price for MY 2011/ 12 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|--------------|---------------|--|
| Dak Lak | 42,3 55 | 38,2 14 | 39,2 00 | 37,3 42 | 38,6 69 | 39,3 70 | 39,5 43 | 41,5 77 | 42,0 43 | 42,9 36 | 42,2 43 | 42,0 59 | 40,46 3 |
| Lam Dong | 42,2 55 | 38,1 14 | 38,6 41 | 37,2 42 | 38,5 69 | 39,2 70 | 39,4 50 | 41,5 32 | 41,9 43 | 42,8 38 | 42,1 81 | 41,9 05 | 40,32 8 |
| Gia Lai | 42,2 55 | 38,1 14 | 39,0 95 | 37,2 42 | 38,5 69 | 39,2 70 | 39,5 00 | 41,4 91 | 42,0 14 | 42,8 76 | 42,1 69 | 42,0 05 | 40,38 3 |
| Dak Nong | 42,3 40 | 38,2 14 | 39,2 00 | 37,3 42 | 38,6 69 | 39,3 70 | 39,5 43 | 41,5 86 | 42,0 43 | 42,8 95 | 42,1 75 | 42,0 05 | 40,44 9 |

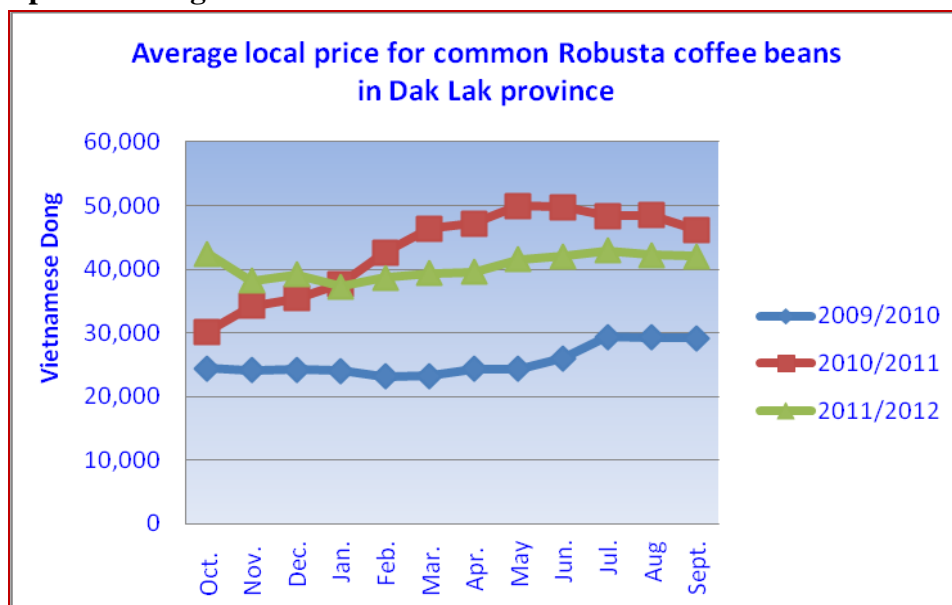
Source: Vicofa, Buon Ma Thuot Coffee Exchange Center (BCEC), Daktip and Local Exporters
Exchange rates: US\$1 = VND 20,828 as of Oct. 22, 2012 (Source: State Bank of Vietnam)

Table 7: Average Prices for Robusta Beans in Dak Lak Province (MY 2009/10-MY2011/12)

| Month | Common Coffee Bean | | | |
|---------------|---------------------|---------------------|---------------------|--|
| | MY 2009/10 (VND) | MY 2010/11 (VND) | MY 2011/12 (VND) | Changes MY 2011/12 over MY 2010/11 (%) |
| October | 24,400 | 30,210 | 42,355 | 40% |
| November | 24,100 | 34,190 | 38,214 | 12% |
| December | 24,200 | 35,390 | 39,200 | 11% |
| January | 24,000 | 37,730 | 37,342 | -1% |
| February | 23,200 | 42,630 | 38,669 | -9% |
| March | 23,300 | 46,410 | 39,370 | -15% |
| April | 24,300 | 47,220 | 39,543 | -16% |
| May | 24,300 | 49,960 | 41,577 | -17% |
| June | 26,000 | 49,730 | 42,043 | -15% |
| July | 29,400 | 48,370 | 42,936 | -11% |
| August | 29,300 | 48,470 | 42,243 | -13% |
| September | 29,200 | 46,230 | 42,059 | -9% |
| Average Price | 25,475 | 43,045 | 40,463 | -6% |

Source: Daktip, Vicofa, BCEC, and Local Exporters

Graph 8: Average Prices for Common Robusta Beans in Dak Lak Province



Source: Daktip, Vicofa, BCEC, and Local Exporters

Stocks:

According to local coffee growers, processors, and traders, as of the end of September 2012, growers held less than one percent of total coffee production (on-farm stocks). This represents farmer stocks of the MY2011/12 crop. The majority of stocks are held with traders and processors. No official data for coffee stocks are available in Vietnam and estimates are difficult to determine as many players (growers, processors, or traders) can hold stocks. Post's estimate for MY 2012/13 coffee carry-in stocks is 984,000 bags or 59,000 MT GBE, a 19 percent increase over the previous marketing year as stocks continue to accumulate with all industry players due to the record 2011 coffee crop. Post's forecast for MY2012/13 carry-out stocks is 1.3 million bags or 81,000 MT.

Policy:

MARD Master Plan for coffee development to the year of 2020 with a vision to 2030

On August 21, 2012, MARD approved the master plan for Vietnam's coffee sector development to the year of 2020 with a vision to 2030. In this plan, the cultivated area target for 2020 is about 500,000 ha with a goal of 479,000 ha by the year 2030. In the four major coffee provinces, the plan's goal reduces area to about 447,000 ha by 2020 and down further to 433,000 ha by 2030 and from 53,000 ha in 2020 to 46,000 ha by 2030 in the other seven coffee growing provinces. It is clear that one of the underlining themes of MARD's coffee plan is adopting sustainable production practices on agriculturally appropriate areas for coffee cultivation.

Table 8: Vietnam's Coffee Area by Province

| Province | Coffee Area in 2011 | Coffee Area in 2012 | Coffee Area by 2020 |
|-----------------|----------------------------|----------------------------|----------------------------|
| Daklak | 195,000 | 200,161 | 170,000 |
| Lam Dong | 144,174 | 145,734 | 135,000 |
| Gia Lai | 77,200 | 77,627 | 73,000 |
| Dak Nong | 78,000 | 116,350 | 69,000 |
| Dong Nai | 18,346 | 20,000 | 13,000 |
| Binh Phuoc | 12,505 | 14,938 | 8,000 |
| Kontum | 11,778 | 12,158 | 12,500 |
| Quang Tri | 4,809 | 5,050 | 5,000 |
| Son La | 4,500 | 6,371 | 5,000 |
| Ba Ria Vung Tau | 7,000 | 7,071 | 5,000 |
| Dien Bien | 2,941 | 3,385 | 4,500 |
| Others | 14,647 | 5,700 | n/a |
| Total | 570,900 | 614,545 | 500,000 |

*Source: MARD***INDUSTRY ACTIVITIES****Vicofa support for coffee breeding trees for replanting program in major growing areas**

Recently, Vicofa, in cooperation with Western Highlands Agriculture and Forestry Science Institute (WASI), provided four tons of coffee seed and about 300,000 coffee breeding trees to Provincial Sub-Departments of Agriculture and Rural Development of Dak Lak, Gia Lai, Dak Nong, Kon Tum, and Lam Dong. The trees will be used to replace spent trees under a replanting program. According to WASI, the new coffee variety TR5 (Robusta coffee) can potentially yield about 6 tons of coffee cherries per hectare, and is resistant to leaf rust disease.

Photo 2: WASI's new coffee breeding variety TR5 (Source: WASI)



Handmade coffee harvester helps Vietnamese coffee farmers cut costs

Last year, local coffee farmers began using locally made mechanical coffee harvesters. These coffee-picking machines help farmers reduce cost during the harvest season in major coffee growing areas. According to local coffee farmers, these machines are advantageous because they are lightweight and easy to use. Farmers are satisfied with these small, very effective machines as they save time, lower labor costs, and minimize damaging coffee tree branches, which would decrease coffee yield in the next crop. However, this technology remains new and is not yet popular in major growing areas.

NAEC's Sustainable Production Project in Central Highlands

In April 2012, the National Agricultural Extension Center (NAEC) in cooperation with the Community Development Center (CDC) in Buon Ma Thuot City, Dak Lak started a three year, VND 9 billion government funded sustainable coffee production project in five provinces of the Central Highlands. NAEC organized 12 training courses for farmers on Good Agricultural Practices (GAP) for certified sustainable production through 3rd party sustainable certification systems. So far, under this project, there are 60 households with about 30 ha in Kon Tum province, which have obtained 4C Certificates. Through training and demonstration models, including a 30 ha model of Arabica production, the objective of this project is to develop 450 ha of 3rd party sustainable certified coffee production over the three year period from 2012-2014, with 90 ha of Arabica in Lam Dong, and 90 ha of Robusta in Dak Lak, Dak Nong, Gia Lai and Kon Tum.

Photo 3,4: NAEC's Sustainable Coffee Production Training Activities in Dak Lak and Kon Tum Provinces (Source: NAEC)



The Vietnam National Coffee Corporation (Vinacafe) is developing restructuring plan

Vinacafe, which was established in 1995, with headquarters located in Ho Chi Minh City, and a Representative Office in Hanoi, is currently developing a restructuring plan. Currently, Vinacafe has a total 59 companies, including member companies, subsidiaries, and associated companies involved in all parts of the coffee value chain in Vietnam. Vinacafe affiliates also farm an estimated 25,000 ha of coffee, of which around 10,000 ha are old, less productive trees (planted in 1981-82) and need to be re-planted in the next three years. Per the request of GOV, Vinacafe is developing for restructuring plan. As part of this restructuring, Vinacafe will privatize a number of entities (See below regarding Eatul Coffee Company). Vinacafe is also planning to invest in an instant coffee plant in Da Lat, Lam Dong to expand their value added coffee products business to meet growing domestic demand.

Trung Nguyen Coffee Corporation Continues Expanding Processing Capacity

Trung Nguyen Coffee Group Corporation plans to invest up to \$80 million in expanding its operations in the Central Highlands. Recently, Trung Nguyen acquired Eatul Coffee Company from Vinacafe, the State Owned Enterprise. Trung Nguyen plans to construct a pilot agri-industrial model for coffee farming and a processing plant with daily capacity of 300 mt of instant coffee in Buon Ma Thuot, Daklak within the next three years. Currently, Trung Nguyen owns a system of four factories: Bac Giang Instant Coffee Factory (the largest Instant Coffee factory in Southeast Asia with designed capacity of 120 mt/day), Buon Ma Thuot Roast and Ground Coffee Factory (production of 40,000 mt/year), Trung Nguyen-Saigon Coffee Factory (20,000 mt of coffee extraction per year), and Binh Duong Instant Coffee Factory (Production of 15,000 mt/year).

Photo 5: Trung Nguyen Bac Giang Instant Coffee Plant (Source: Trung Nguyen Coffee)



Statistical Tables:

Production, Supply and Demand Data Statistics:

Table 9: Vietnam's Coffee Production, Supply and Demand (PSD)

| Coffee, Green Vietnam | 2010/2011 | | 2011/2012 | | 2012/2013 | |
|---|--------------------------------|-------------|--------------------------------|-------------|--------------------------------|-------------|
| | Market Year Begin: Oct 2010 | | Market Year Begin: Oct 2011 | | Market Year Begin: Oct 2012 | |
| | USDA Official | New Post | USDA Official | New Post | USDA Official | New Post |
| Area Planted | 0 | 0 | 0 | 0 | 0 | 0 |
| Area Harvested | 0 | 0 | 0 | 0 | 0 | 0 |
| Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-Bearing Trees | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Tree Population | 0 | 0 | 0 | 0 | 0 | 0 |
| Beginning Stocks | 1,012 | 1,012 | 334 | 829 | 514 | 984 |
| Arabica Production | 600 | 650 | 800 | 800 | 800 | 850 |
| Robusta Production | 18,867 | 19,350 | 20,200 | 25,200 | 21,600 | 23,317 |
| Other Production | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Production | 19,467 | 20,000 | 21,000 | 26,000 | 22,400 | 24,167 |
| Bean Imports | 175 | 175 | 170 | 122 | 150 | 150 |
| Roast & Ground Imports | 0 | 6 | 0 | 0 | 0 | 0 |
| Soluble Imports | 25 | 177 | 25 | 105 | 25 | 50 |
| Total Imports | 200 | 358 | 195 | 227 | 175 | 200 |
| Total Supply | 20,679 | 21,370 | 21,529 | 27,056 | 23,089 | 25,351 |
| Bean Exports | 18,780 | 18,783 | 19,000 | 23,950 | 20,000 | 21,667 |
| Rst-Grnd Exp. | 50 | 85 | 50 | 95 | 50 | 105 |
| Soluble Exports | 180 | 340 | 300 | 360 | 400 | 400 |
| Total Exports | 19,010 | 19,208 | 19,350 | 24,405 | 20,450 | 22,172 |
| Rst,Ground Dom. Consum | 1,200 | 1,198 | 1,480 | 1,482 | 1,575 | 1,633 |
| Soluble Dom. Cons. | 135 | 135 | 185 | 185 | 200 | 200 |
| Domestic Use | 1,335 | 1,333 | 1,665 | 1,667 | 1,775 | 1,833 |
| Ending Stocks | 334 | 829 | 514 | 984 | 864 | 1,346 |
| Total Distribution | 20,679 | 21,370 | 21,529 | 27,056 | 23,089 | 25,351 |
| | | | | | | |
| 1000 HA, MILLION TREES, 1000 60 KG BAGS | | | | | | |

Source: USDA/FAS

Table 10: Vietnam's Coffee Bean Export Trade Matrix for MY2010/11-MY2011/12

| | | | |
|-------------------|---------------|-----------|-----------|
| Country | Vietnam | | |
| Commodity | Coffee, Green | | |
| Time Period | Oct.- Sept. | Units: | MT |
| Exports for: | 2011 | | 2012 |
| U.S. | 155,235 | U.S. | 207,802 |
| Others | | Others | |
| Belgium | 139,984 | Germany | 209,740 |
| Germany | 132,422 | Italy | 104,370 |
| Italy | 101,311 | Spain | 93,841 |
| Spain | 73,459 | Belgium | 82,489 |
| Japan | 46,154 | Japan | 71,048 |
| South Korea | 36,548 | Ecuador | 51,910 |
| Netherlands | 33,377 | Indonesia | 49,628 |
| Thailand | 32,726 | Mexico | 48,142 |
| China | 31,925 | UK | 42,941 |
| Total for Others | 783,141 | | 754,109 |
| Others not Listed | 188,797 | | 682,956 |
| Grand Total | 1,127,173 | | 1,437,065 |

Source: MARD

Table 11: Green Coffee Import Trade Matrix for MY2010/11-MY2011/12

| | | | |
|-------------------|---------------|---------------|-------|
| Country | Vietnam | | |
| Commodity | Coffee, Green | | |
| Time Period | Oct.-Sept. | Units: | MT |
| Imports for: | 2011 | | 2012 |
| U.S. | 0 | U.S. | 0 |
| Others | | Others | |
| Laos* | 6,254 | Laos | 979 |
| Indonesia | 1,577 | Cote d'Ivoire | 2,076 |
| Uganda | 948 | Thailand | 1,742 |
| | | Uganda | 669 |
| | | Brazil | 422 |
| | | Indonesia | 307 |
| Total for Others | 8,540 | | 6,195 |
| Others not Listed | 1,949 | | 1,118 |
| Grand Total | 10,728 | | 7,313 |

Source: GTA, Vicofa, General Customs Office